



SF 479 – Broadcaster Income Sourcing and Taxation (LSB1952SV)
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Fiscal Note Version – New

Description

Senate File 479 relates to the apportionment of income of national broadcasters in Iowa. The change is retroactive to tax year 2015.

Background

Under previous interpretations of current law, national television broadcasters do not pay Iowa corporate income tax since without a physical presence, they lacked nexus for corporate income tax purposes. However, the Iowa Supreme Court decision in *KFC Corporation v. Iowa Department of Revenue* (KFC ruling) potentially changes the nexus interpretation and could make national broadcasting companies subject to Iowa corporate income tax.

Assumptions

- The Iowa Department of Revenue will hold that the KFC ruling applies to national broadcasting companies.
- While national broadcasting companies may mount a legal challenge to the application of the KFC ruling to their Iowa business income, they will remit Iowa corporate income tax during the legal challenge in order to avoid potential tax penalties should the challenge be unsuccessful.
- After legal challenges are exhausted or abandoned, the KFC ruling will apply to national broadcasting companies.

Fiscal Impact

Should the KFC ruling be determined to apply to national broadcast companies, their Iowa income will be subject to Iowa corporate income tax, with or without this Bill. This Bill establishes a framework for imposition and calculation of Iowa corporate income tax on the Iowa income of national broadcast companies. While it is possible the tax liability of national broadcast companies will be different under this Bill than the tax liability calculated under current law, the difference is speculative at this time. Therefore, the fiscal impact of this Bill cannot be estimated.

Sources

Legislative Services Agency analysis
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
